



## Press Release

### Bokaro Distillery Private Limited

February 03, 2025

#### Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	43.49	IVR BB; Stable (IVR Double B with Stable outlook)	-	Assigned	Simple
<b>Total</b>	<b>43.49</b> <b>(Rupees Forty- Three Crore and Forty-Nine Lakhs Only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The rating assigned to the bank facilities of Bokaro Distillery Private Limited (BDPL) derives comfort from long track record of its promoter in the liquor industry, locational advantage of the plant and favourable industry outlook. The rating also considers BDPL's association with established brand and entitlement to various Government subsidies in Jharkhand which is likely to support cash flows in the near term. However, these rating strengths are partially offset by BDPL's initial stage of operation, leveraged capital structure, susceptibility of operating margin to volatile raw material process, exposure to intense competition and vulnerability to regulatory changes in the liquor industry.

The stable outlook reflects that the company will continue to benefit from the experience of its promoters in the liquor industry and expected improvement in the business performance of in the near term on the back of healthy demand outlook.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained growth in scale of operations with improvement in profitability and gross cash accruals
- Improvement in capital structure marked by improvement in debt protection metrics marked by improvement in interest coverage ratio to over 3.0x

##### Downward Factors



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- Deterioration in scale of operations and/or moderation in profitability with moderation in EBITDA margin to below 3%.
- Moderation in the capital structure and /or moderation in debt protection metrics marked by dip in interest coverage ratio to below 1.5x.
- Moderation in working capital impacting the liquidity profile of the company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Long track record of the promoters in the liquor industry**

The promoters have experience of over two decades in the liquor business, which has enabled them to have a strong understanding of the market dynamics. Experience of the promoters supports the business risk profile of the company to a large extent.

- **Locational advantage**

The manufacturing facility of BDPL is in Bokaro district in Jharkhand. The unit is set up in the food grains rich area of Jharkhand. The unit is surrounded by number of rice mills, water and coal. Jharkhand produces about three percent rice of India. The neighboring state West Bengal is highest in rice production. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.

- **Association with established brand**

The company has been associated with the leading liquor entity “God Father” since incorporation which lends it an advantage in terms of large orders and reduces counter party risk. Moreover, BDPL also has its own brands like Bad Monkey, Rich Dad and Brent.

- **Entitlement to various Government subsidies in Jharkhand likely to support cash flows**

BDPL would be entitled to various Government subsidies available in Jharkhand for setting up its plant under the industrial policy of the state government of Jharkhand. For the purpose of development of this sector, a reimbursement of maximum 25% of the VAT paid by the Brewery and Distillery shall be reimbursed for 5 years, subject to a maximum ceiling of 200% of the Capital investment. Receipt of the Government subsidies in a timely manner is expected to positively impact the company’s profitability and cash flows to an extent. BDPL has received a subsidy of Rs.8.29 crore from state government in the month of



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October 2024 and Rs. 36.77 crore is yet to receive for FY22 [FY refers to the period from April 01 to March 31] and FY23.

- **Favourable industry outlook**

The prospects of the industry are bright because of the rising young population, changing lifestyles, increasing disposable income and a shift towards branded liquor.

### **Key Rating Weaknesses**

- **Initial stage of operation**

With operation commencing in August 2022, the company is in its initial stage of operations. However, in its first full year of operation in FY24, the company has garnered a revenue of ~Rs.136 crore. Furthermore, in 9MFY25 the company has already achieved revenue of Rs.149.09 crore. Going forward the company's ability to achieve projected growth while maintaining adequate profitability would remain a key monitorable.

- **Leveraged capital structure**

The capital structure of the company remained leveraged marked by long term debt equity ratio and overall gearing at 8.63x and 10.01x respectively as on March 31, 2024 (4.61x and 5.33x respectively as on March 31, 2023). Total indebtedness as reflected by TOL/TNW also stood high at 23.27x as on March 31, 2024. The reason for high capital structure is mainly due to high unsecured loan from promoter / director of the company which is unsubordinated and has a low net worth base of Rs.6.97 crore as on March 31, 2024.

- **Susceptibility of operating margin to volatile raw material prices**

The key raw materials for beer manufacturing are rice grain, sugar, barley, malt etc. Availability and prices are both volatile in nature due to the presence of agro-climatic risk and cyclicity in the industry.

- **Exposure to intense competition**

The beer market is largely competitive with presence of many national and international established brands which restricts growth opportunity and profitability to an extent. Furthermore, a large set of consumers are price sensitive, it is necessary to minimise the cost of inter-state transport through an efficient distribution network and a manufacturing footprint across several states.

- **Vulnerability to regulatory changes in the liquor industry**

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. India's states each have their own regulatory controls on the



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production, marketing and distribution, and even pricing of alcohol. Further, high taxation and duties also make the industry dynamics complex. The business risk profile thus remains vulnerable to any changes in the license authorisation policy, taxes and duty structure.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The liquidity of the company appears to be adequate marked by its sufficient cash accrual vis-à-vis its debt repayment obligation of Rs.3.43 crore to Rs.7.72 crore as against gross cash accrual of Rs.15.04 crore to Rs.27.26 crore during FY25 to FY27. However, the average working capital utilisation remained high with almost full utilisation in the last twelve months ended October 2024 indicating very limited buffer in its working capital limits. However, resourcefulness of the promoters is expected to support the liquidity of the company. The promoters have continuously supported the operations by infusing unsecured loans at regular intervals in the past

### **About the Company**

BDPL is engaged in manufacturing of Beer with an installed capacity of 2640000 HLP. The plant was setting up in 2019 and started its operation from August 2022. BDPL is in Bokaro district of Jharkhand. BDPL owns the brand like Bad Monkey, Rich Dad, Brent. The Company has also tie up with the God Father beer and running at 70% of its existing capacity.

The unit is set up in the food grains rich area of Jharkhand. The availability of grain is available locally, there are more than 100 rice mills in Bokaro and Ranchi District in the State of Jharkhand. In the upcoming years BDPL are focusing on increasing manufacturing and sales of higher margin products owned by the company (Bad Monkey/ Rich Dad) so that royalty and brand sharing cost will be reduced with. During the last peak season, BDPL sold 1 lakh cases



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per month during Feb 2024 to June 2024. Unit is also producing around 2 lakh cases per month during the peak season for God Father brand of beer in partnership.

### Financials (Standalone):

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	79.48	136.33
EBITDA	0.71	1.69
PAT	-6.76	-5.89
Total Debt	73.66	69.82
Tangible Net Worth	13.81	6.97
EBITDA Margin (%)	0.89	1.24
PAT Margin (%)	-8.51	-4.32
Overall Gearing Ratio (x)	5.33	10.01
Interest Coverage (x)	0.18	0.37

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan 1	Long Term	13.20	IVR BB; Stable	-	-	-
2.	Term Loan 2	Long Term	7.46	IVR BB; Stable	-	-	-
3.	GECL	Long Term	2.83	IVR BB; Stable	-	-	-
4.	Cash Credit	Long Term	20.00	IVR BB; Stable	-	-	-

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### About Infomerics:





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Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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### Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	April 2028	13.20	IVR BB; Stable
Term Loan 2	-	-	-	Dec 2029	7.46	IVR BB; Stable
GECL	-	-	-	Oct 2026	2.83	IVR BB; Stable
Cash Credit	-	-	-	-	20.00	IVR BB; Stable



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**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Bokaro-Distillery-03feb25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)

